

**MINUTES OF MEETING OF THE AUDIT COMMITTEE
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
September 25, 2024**

A meeting of the Audit Committee (the “Committee”) of New York City Economic Development Corporation (the “Corporation” or “NYCEDC”) was held on Wednesday, September 25, 2024 at the Corporation, One Liberty Plaza, Conference Room 12A (Pulaski), New York, New York 10006.

The following members of the Committee were present in person at the above indicated meeting of the Committee (the “Meeting”), constituting a quorum:

- James McSpirtt
- Betty Woo

The following members of NYCEDC staff were present in person:

- Finance:
 - Jeanny Pak – CFO
 - Spencer Hobson – EVP/Treasurer
 - Fanny Fung - AVP
 - Amy Chan – Controller
 - Leslie Escobar – Deputy Controller
 - Ina Johnson – Executive Assistant
- Internal Audit (“IA”):
 - Eric Katz – Senior Vice President
 - May Boucherak – Principal, KPMG LLP
- Legal:
 - Mark Silversmith – Special Counsel
- MIS:
 - Delano Clarke – Technical Support

Also present were representatives from Ernst & Young LLP (“EY”):

- Daniella Hurlburt – Managing Director
- Sophie Zhou - Audit Manager

The meeting was called to order at 9:07 a.m.

1. Approval of the Minutes of the August 14, 2024 Audit Committee Meeting

Mr. McSpirtt asked if there were any questions or comments related to the minutes of the August 14, 2024 Committee meeting as submitted. There being no questions or comments, Mr. McSpirtt motioned to approve the minutes. Ms. Woo seconded the motion and the minutes were approved.

2. Finance Update - Annual Financial Statements and Investment Report – Management Discussion

Ms. Chan stated that Ms. Escobar would present the Corporation's fiscal year 2024 operating results, financial statements, and schedule of investments. Ms. Chan also noted that a clean audit opinion and that no significant findings are anticipated as a result of EY's audit efforts.

Ms. Escobar discussed revenues noting that operating revenues for fiscal year 2024 totaled \$1.2B, an increase of \$112.7M or 10%. The increase in operating revenues is largely due to the increase in reimbursable grants of \$78.8M and property rental, lease and interest revenue of \$45.7M. The increase in reimbursable grants is primarily due to the costs incurred for programs and projects including: \$151.1M for the DOH Public Health Lab, \$64.7M for the New York Public Library, \$57.3M for Bush Terminal, \$51.6M for Willets Point and \$35.3M for the Museum of Chinese in America. Increases in property rental and lease revenue were driven by continued recovery of cruise activity which generated income of \$36.0M, and by additional rents recognized for Brooklyn Renaissance Plaza and South Brooklyn Marine Terminal amounting to \$9.2M. This also includes a one-time gain of \$25M for the effective termination of the Howland Hook lease when NYCEDC entered into the net lease with Port Authority at Brooklyn Marine Terminal. Fees and other income totaled \$40.3M, a decrease of \$12M as compared to prior year. The decrease is primarily due to fiscal year 2023 non-recurring transactions, such as bad debt recovery income from FTA and \$5.4M extension fees.

Ms. Escobar then addressed non-operating revenues stating that total non-operating income for fiscal year 2024 totaled \$74.9M and is composed of \$52.7M of interest revenues earned on leases recognized in accordance with the requirements of GASB 87, and \$22.1M of income from investments. The increase of \$12.1M in investment income is due to higher invested balances and interest rates as compared to prior year.

Ms. Escobar next addressed expenses stating that NYCEDC's total expenses during fiscal year 2024 were \$1.24B. Project and program costs totaled \$922M, an increase of \$81M as compared to prior year. These were primarily the tax levy and capital expenses covered by grant revenue previously discussed. There were approximately 30 new capital projects in fiscal year 2024. Property rental expenses were \$101M and remained consistent with prior year. Ferry-related expenses, net, totaled \$55M, an increase of \$14M due to higher costs for fuel and vessel maintenance. Personnel services totaled \$84M, an increase of \$11M due to an increase in NYCEDC staffing due to a larger number of projects and increased ferry usage. Contract and

expenses to the City were \$27M which is consistent with prior year, and other expenses also remained consistent at \$55M. Accordingly, the Corporation's total revenues of \$1.28B and total expenses of \$1.24B resulted in an increase in net position of \$37.7M during fiscal year 2024 and an ending net position of \$712.4M.

In response to a question from Mr. McSpiritt on the increase in personnel costs, Ms. Pak noted the increase is mainly due to increases in projects within the Capital Program and Asset Management departments.

Ms. Escobar then presented the Corporation's Condensed Statement of Net Position. NYCEDC ended the year with total assets of \$4B. NYCEDC's assets are primarily made up of cash and investments, capital assets which include the ferry vessels, right to use asset for the office lease at One Liberty Plaza at present value, and tenant receivables. The balance includes \$2.4B of future lease receivables recorded at present value for its tenant leases. Cash, cash equivalents, and investments increased by \$59M mainly due to income from investments of \$22M. Loan and mortgage receivables decreased by \$23M mainly due to repayments totaling \$20M from borrowers in connection with two loan programs: the COVID-19 related Hospital Loan Fund, and the Emerging Developer Loan Fund. Other receivables decreased by \$14M due to the timing of reimbursements from third parties for program costs. Capital assets decreased by \$16M mainly due to \$15M of depreciation. In accordance with the requirements of GASB 87, leases receivable increased by \$49M primarily due to both new and modified leases with present values of leases receivable totaling \$150M, offset with cash received of \$89M. Right to use lease assets decreased by \$79M with the effective termination of the 2009 lease for Piers 11 and 12 at the Brooklyn Cruise Terminal, which was replaced by the larger net lease entered into with the Port Authority for the Brooklyn Marine Terminal.

NYCEDC ended the year with total liabilities and deferred inflows of \$3.3B. Liabilities include accounts payable and accrued expenses, retainage payable, lease liability for One Liberty Plaza at present value, and the deferred inflow of resources of \$2.4B which are future tenant lease revenues which offset the receivable. The Corporation's total liabilities decreased by \$60M. Accounts payable and accrued expenses increased by \$28M primarily due to accruals for work performed on programs on behalf of The City, including \$16M for Workforce Development programs and \$11M for the Lower Manhattan Coastal Resiliency project. Other liabilities decreased \$19M, mainly due to the repayment of \$18M of notes related to the Hospital Loan Fund. Lease liabilities decreased by \$83M as a result of the net lease entered into with the Port Authority for the Brooklyn Marine Terminal, effectively terminating the 2009 lease for the Brooklyn Cruise Terminal at Piers 11 and 12. The Corporation ended with net position of \$712M.

Ms. Escobar then discussed the Statement of Cash Flows which combines restricted and unrestricted cash, noting that from a cash perspective, \$42M of net cash was provided by operations which resulted in a net increase in cash and cash equivalents of \$42M, for an ending cash and cash equivalents balance of \$429M. Of the \$429M of cash at year end, \$86M was unrestricted.

Lastly, Ms. Escobar presented the Annual Investment Report which informs the Board of NYCEDC's investment portfolio at year end. At June 30, 2024, NYCEDC held \$431M in investments, and the allocations are compliant with the investment allocations established by the Board. NYCEDC's investment portfolio includes \$218M in Money Market Funds, \$166M in US Agency Securities, \$33M in Commercial Paper, and \$14M in US Treasuries. NYCEDC has \$51.3M and \$20.4M invested in the JP Morgan Empower Share Class Money Market Fund at JP Morgan and Wells Fargo, respectively, which represents 33% of Money Market Funds held. The Fund contributes to a new income stream provided to Minority Deposit Institutions and Diverse-Led Financial Institutions. J.P. Morgan Asset Management has committed to an annual 12.5% donation of gross revenue received from the management fees on the Fund to support community development.

3. Ernst & Young LLP (EY) Update

Ms. Hurlburt gave an overview of the fiscal year 2024 audit results and noted that EY expects to issue unmodified opinions on both the financial statements and schedule of investments by September 30, 2024. Ms. Hurlburt further noted no material weaknesses in internal controls to bring to the attention of the Committee. No corrected or uncorrected misstatements to the financial statements have been identified or significant or substantial changes made. No significant accounting pronouncements were adopted this year. Furthermore, procedures did not indicate any instances or allegations of fraud.

Ms. Hurlburt then summarized the key audit areas and procedures performed including revenue, cash and investments, lease revenue, OPEB, and receivables and allowances.

Lastly, Ms. Hurlburt discussed required communications. Ms. Hurlburt reiterated that with EY's audit procedures substantially complete, there were no findings or issues to report, and EY expects to issue an unmodified opinion.

There being no other questions or comments, Mr. McSpiritt made a motion to approve the fiscal year 2024 financial statements and investment report for presentation to the NYCEDC Board. Ms. Woo seconded the motion and the motion was approved.

4. Internal Audit Activity Update

Mr. Katz gave an overview of the completed and ongoing audits, noting one audit report was issued in FY25 with another report expected to be issued in October 2024. For the FY25 audit plan, Mr. Katz stated two audits are currently in progress with another two expected to begin in the next quarter. Mr. Katz noted a proposed scope change to one of the audits, Project Central data review, changing the project type from an internal audit to a consulting project given the objectives of the review.

Mr. Katz gave an update on open issues stating that during the quarter, the Internal Audit/KPMG team took an inventory of all open issues and established an ongoing process to

address the open issues with the business owners. Regular updates will be provided both to the CFO and the Audit Committee going forward.

In response to comments, it was stated that initially high-level audits were being undertaken which may lead to more detailed audits of particular projects.

4. **Session with External Auditors**

A private session with EY was held.

5. **Session with Internal Audit**

A private session with Internal Audit was held.

6. **Session with Management**

A private session with Management was held.

7. **Adjournment**

The meeting was adjourned at 9:43 a.m.